

KELLY+PARTNERS BUDGET REPORT

Federal Budget 2026-2027 Overview

The key takeaways for your
personal finances, business
and private wealth



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Overview of the 2026 Federal Budget

This Federal Budget is shifting the dial for all Australians

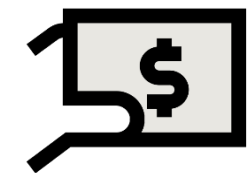
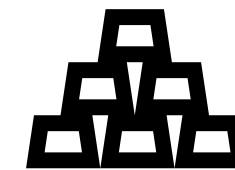
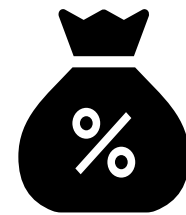
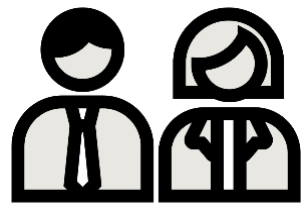
Treasurer Jim Chalmers delivered the 2026-27 Federal Budget on Tuesday 12 May 2026 and all eyes were on Canberra for what was heralded as Labor's "housing budget". This marks the government's fifth budget since returning to power, and the framing was deliberately targeted to appeal to younger Australians, promising that the government is making bold moves to tackle affordability and to overhaul the tax system.

While detailed explanations are yet to be revealed, the budget papers have signalled that significant changes are coming that are likely to have a wide-ranging impact. High net worth individuals, in particular, will be taking note of the sweeping tax changes, that include changes to the CGT tax regime and the taxation of trusts, loss of the use of "bucket companies" and the negative gearing of residential property, as well as the loss of the pre-CGT status of assets.

The proposed changes will no doubt require changes to existing structures and planning to ensure that any impact is limited.

Key Takeaways

The 5 key points of the Federal Budget 2026-2027



Tax cuts for working Australians

Australians earning income from salary and wages will receive a \$250 tax offset and may claim a \$1,000 instant tax deduction.

CGT Changes with limited grandfathering

From 1/7/2027 the 50% CGT Discount will be replaced by cost base indexation.

Assets will cease being pre-CGT on 1 July 2027 but gains accrued to that date remain exempt.

A 30% minimum tax on capital gains.

Negative Gearing

No changes to properties acquired before 12 May 2026.

From 1 July 2027, negative gearing will be restricted to new builds.

Losses from rental properties can only be offset against rental income or capital gains from residential property.

Tax on Discretionary Trusts

From 1 July 2028 trustees of discretionary trusts will pay a minimum tax of 30% on the taxable income of the trust.

Non-corporate beneficiaries will receive non-refundable credits for tax paid by the trust.

Corporate beneficiaries will be taxed on trust distributions, without receiving any credit for tax paid by the trust.

Enhancements to R&D and Venture Capital Incentives

The Government will enhance R&D and venture capital tax incentives by boosting rates and expanding eligibility to better support innovation and growth.

However there is no exclusion from the CGT changes, so employee incentives schemes and founders are negatively impacted.

What do the CGT changes mean for Private Business Owners?

The capital gains tax changes will have a significant impact on private business owners...

- + The CGT changes will impact all CGT assets, not just residential property. Business sales after 1 July 2027 will result in a portion of the capital gain (referrable to increase in value of the business up to 1 July 2027) being taxed under the discount regime, and the balance of the capital gain being taxed under the indexation regime. A valuation of the business as at 1 July 2027 will be key to apportion the capital gain between the two regimes. However, where a business experiences the greatest increase in value in the years immediately before it is sold, a greater portion of the capital gain will be taxed under the less favourable indexation regime. This is where the small business CGT concessions and the targeted start-up concessions (such as Early Stage Innovation Company (ESIC) concessions, Early Stage Venture Capital Limited Partnerships (ESVCLP) and Venture Capital Limited Partnerships (VCLP)), will become even more valuable in minimising the tax burden on exit.
- + Employees who receive employee incentive scheme interests in a start-up business will also be adversely impacted by these changes. Under the discount regime, employees were willing to accept equity as they could access the CGT discount. However, under the indexation regime, where indexation will be applied to a nominal cost base (typically \$1 per share), the employee will be taxed on the full capital gain on exit and at a minimum rate of 30%. Had the employee simply received a salary or a bonus, they would have paid the same amount of tax, or less tax if their effective tax rate was lower than 30%. Employees will be unlikely to accept equity and will push for monetary consideration, which will create cash flow pressures for start-up businesses. The Government has announced they will be consulting with the start-up sector and may introduce certain exceptions for ESS interests. Founders who start new companies and have a nominal cost base in their shares and will have similar concerns with the indexation regime on an exit event.
- + Owners of pre-CGT assets will be brought into the CGT regime. Capital gains on pre-CGT assets accrued before 1 July 2027 will remain exempt. The valuation of the asset on 1 July 2027 will be critical.

What do the negative gearing changes mean for Private Business Owners?

The negative gearing changes will shape investment strategies...

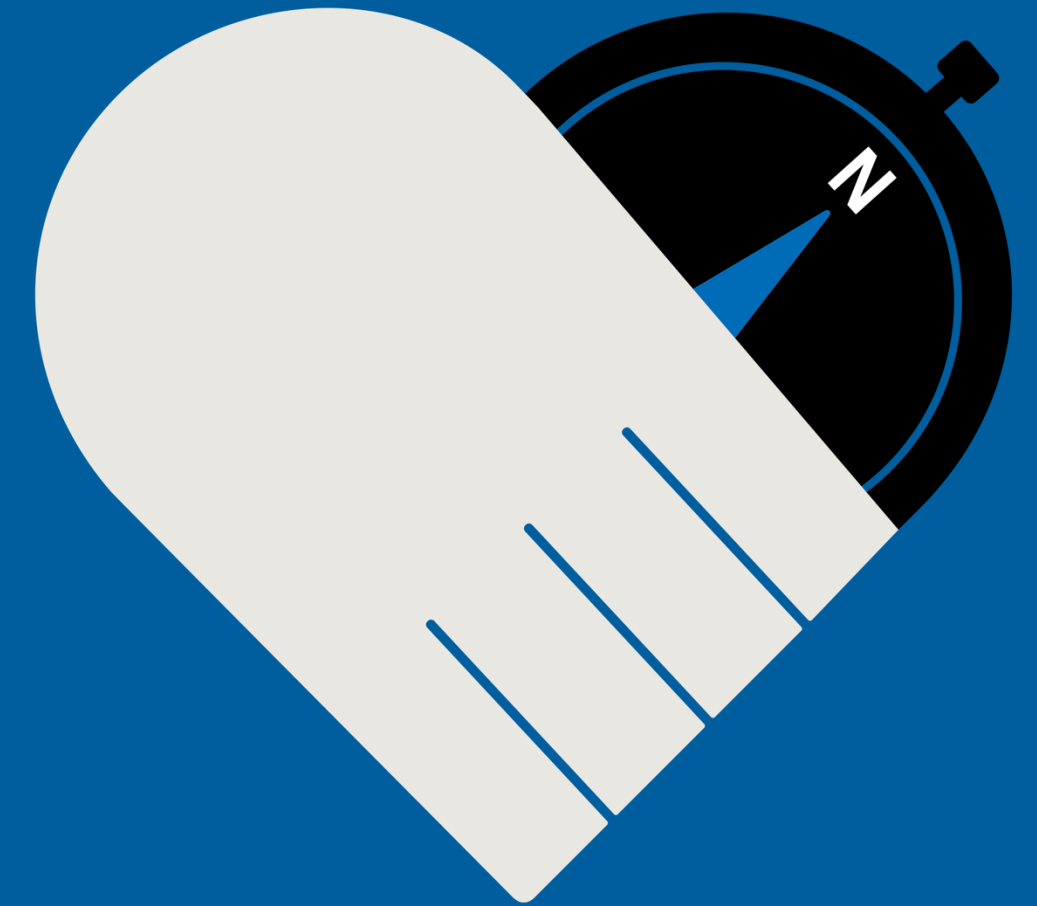
- + These changes only quarantine negative gearing for existing residential properties. Negative gearing on other assets (such as shares) and new residential properties, remain unchanged. Future investment decisions will need to be made with negative gearing in mind.
- + While these changes are intended to improve housing supply, the changes may also encourage investors to hold on to investment properties. For example, rather than selling an investment property purchased before 12 May 2026, an investor may decide to keep the property and maximise their negative gearing.
- + The changes are also less impactful for mature investors with several properties, as new purchases can still be negatively geared against older purchases. Where an investor has a pool of positively and negatively geared properties, the rental income and deductions can be offset between the properties. Over time, this should soften the blow for property investors, as newer negatively geared properties can be offset against older positively geared properties.
- + Investors who use equity from one property to purchase another property will need to carefully trace the use of funds. If equity from a property purchased before 12 May 2026 is used to fund the purchase of a property after this date, the interest on the equity loan will be subject to the new rules.

What do the trust changes mean for Private Business Owners?

The 30% minimum tax will make discretionary trusts and bucket companies unviable...

- + The purpose of this change is to target income splitting, however it has much broader ramifications. Private groups will need to rethink the use of discretionary trusts and corporate beneficiaries, which have become staples for asset protection and tax planning.
- + The change will significantly impact trading trusts. This income will now become subject to tax at 30% to the trustee. If the income is then distributed to a corporate beneficiary, the corporate beneficiary will be assessed on the trust distribution and will not be able to claim a credit for the taxes paid by the trustee. This will effectively result in double taxation and make corporate beneficiaries obsolete (and conveniently resolve the Division 7A issues with UPEs).
- + The trust can distribute to non-corporate beneficiaries, who will be able to claim a non-refundable credit. This may not be an issue where the beneficiaries have an effective tax rate of at least 30%. However, beneficiaries who have a lower effective tax rate will not receive a refund of the taxes paid by the trustee. While this issue can be partly addressed by paying beneficiaries a salary (which would be taxed at their marginal rates), it is unlikely to resolve the issue, especially for very profitable trusts. Trading trusts will need to restructure before 1 July 2030 and consider how best to do so for their business.
- + Investment trusts will also be subject to a 30% minimum tax on trust distributions. The use of an investment trust as part of a long-term asset holding and retirement strategy will need to be reconsidered. It may be preferable to hold investments via a company with individual shareholders, and have the company pay out dividends over time.

Personal Finances



Reforming Capital Gains Tax



A fundamental shift from the 50% CGT discount to CPI indexation, a 30% minimum tax, and the removal of the pre-CGT exemption

- + From 1 July 2027, the Government will replace the current 50% CGT discount for individuals, trusts and partnerships with a new model based on:
 - + CPI cost base indexation for assets held for more than 12 months;
 - + and a 30% minimum tax rate on net capital gains, including pre-CGT assets.
- + The changes only apply to capital gains that accrue after 1 July 2027 when they are realised.
- + The 50% CGT Discount will continue to apply to gains that accrue before 1 July 2027; and
- + Capital gains on pre-1985 assets accrued before 1 July 2027 will continue to be exempt.
- + Investors should revisit asset holding strategies, and the planned timing of future disposals.

Current Rules	New Rules from 1 July 2027
Eligible individuals and trusts may reduce capital gains by 50%, when the asset has been held for at least 12 months.	The 50% discount is replaced with CPI indexation of the cost base.
Capital gains are taxed at the taxpayer's marginal rate of tax.	A minimum 30% tax applies to real capital gains, unless the taxpayer is already taxed at 30% or more.
Pre-CGT assets are exempt from CGT.	Pre-CGT assets become taxable if they are sold after 1 July 2027. Pre-CGT assets do obtain an uplifted cost base to the asset's valuation as at 1 July 2027.

Capital Gains Tax – Transitional Rules and Valuation Issues



Existing assets: split gains before, and after 1 July 2027

- + For assets already held before **1 July 2027**, the gain will be split into 2 components:
 - + **Pre-1 July 2027**
 - Taxed under the current rules, including the 50% CGT discount where available.
 - + **Post-1 July 2027**
 - Taxed under the new rules, using CPI indexation and subject to the 30% minimum tax.
- + The asset's value at **1 July 2027** is critical. Taxpayers may determine the value by:
 - + Obtaining a valuation for assets; or
 - + Using an apportionment formula based on growth over the asset's holding period. (Details of the formula are yet to be provided.)
- + Clients with significant property, share portfolios, business interests or legacy assets may need valuation evidence as at 1 July 2027, even if the asset is not sold until later years.

Key carve-outs and protections include:

- + Main residence exemption remains unchanged.
- + Small business CGT concessions remain unchanged.
- + Income support recipients, including Age Pension recipients, are exempt from the 30% minimum tax in a year they realise a capital gain.
- + New residential property investors may choose between the lower of the current 50% CGT discount and the new indexation method.
- + The existing 60% CGT discount for qualifying affordable housing is retained.
- + The Government will consult on the interaction between the CGT reforms and early-stage/start-up investment incentives.

Key Implications:

- + Higher-growth assets are likely to result in higher CGT outcomes than under the 50% CGT discount.
- + Unless founders qualify for specific CGT reliefs, index will likely result in them being taxed at their maximum marginal tax rate (ie similar rates to what their income would be taxed at).
- + Trusts may require more careful distribution and beneficiary tax-rate planning.

Reforming Negative Gearing For Residential Property Investments to New Builds



Overview

- + Effective 1 July 2027, the Australian Government will restrict negative gearing for residential properties to New Builds. The policy aims to redirect investment into new housing supply while "ring-fencing" losses for established properties.

New Builds: Full Deductibility Maintained

- + Eligible new builds remain fully deductible against all forms of income (e.g. salary, wages, and business income).
- + This applies both before and after 1 July 2027, ensuring the benefits of negative gearing are directed to investment that increases the housing stock.

Established Properties: Restricted Deductibility

- + The new restrictions apply to established properties acquired from 7:30pm (AEST) on 12 May 2026. From 1 July 2027, for these properties:
 - + Losses can only be deducted against rental income or capital gains from residential property.
 - + Excess losses will be carried forward and able to be offset against residential property income in future years.

Transitional Arrangements

- + The impact depends on when the established residential properties or ineligible new builds were acquired (contract date):

Acquisition Date	Treatment Period	Negative Gearing Status
Before 7:30pm AEST on 12 May 2026	Lifetime of ownership	Fully grandfathered: Can offset losses against salary or all income until sold
After 7:30pm AEST on 12 May 2026 to 30 June 2027	Until 30 June 2027	Temporary: Full negative gearing allowed against all income
	From 1 July 2027	Transitioned: Losses deducted only against rental income or capital gains from residential property
From 1 July 2027	Lifetime of ownership	Restricted: Losses deducted only against rental income or capital gains from residential property

Key Exemptions & Exclusions

- + Properties in widely held trusts and superannuation funds will be excluded.
- + Targeted exemptions for Build-to-Rend developments and investors supporting government housing programs will be excluded.

Fraud Protection and Debt Recovery



Additional Fraud Protections

- + The ATO has been provided funding to modernise its prevention and detection of fraud in the tax and superannuation system.
- + The ATO will be strengthened in its ability to combat fraud committed by tax agents and other intermediaries.
- + The ATO will be given powers to waive tax debts and pause debt recovery related the fraudulent activities of tax agents.

Expansion of Garnishee Power

- + The ATO's existing garnishee powers will be expanded to include jointly held assets to prevent arrangements used to frustrate recovery actions.
- + The ATO will undertake additional targeted compliance activities to combat fraud, including in relation to the R&D Incentive.

Changes to Medicare Levy Threshold



Increase in Medicare levy threshold

- + The Government has increased the Medicare levy low-income thresholds by 2.9% from 1 July 2025.

Increase to the Medicare levy low-income threshold		
Rate	2024-25	2025-26 Announced
Singles	\$27,222	\$28,011
Family	\$45,907	\$47,238
Single seniors and pensioners	\$43,020	\$44,268
Family seniors and pensioners	\$59,886	\$61,623
Increase for each dependent child	\$4,216	\$4,388

Tax Reform for Working Australians



Working Australians Tax Offset

- + From the 2027-28 income year, Australians who derive their income through salary and wages will receive a \$250 tax offset.
- + This tax offset includes sole traders.
- + A \$250 tax offset effectively increases the tax-free threshold to \$19,985 (or up to \$24,985 for workers eligible for the Low Income Tax Offset).
- + This offset is in addition to the instant tax deduction and low income tax offset.

\$1,000 Instant Tax Deduction

- + Starting from the 2026-27 income year, Australians tax residents will be able to claim \$1,000 as an instant tax deduction.
- + The deduction does not need to be itemised or substantiated.
- + Individuals may continue to claim work related expenses exceeding \$1,000. However, these expenses must be substantiated.
- + Other deductions, such as donations, union and professional associations and other non-work-related deductions can still be claimed and itemised separately (on top of the instant deduction).

Australian tax resident earning a salary of \$100,000	
2025-26 Income Year	2027-28 Income Year
Income Tax Payable: \$20,788	Income Tax Payable: \$20,238
The proposed changes represent a tax saving of \$550 for an individual earning the average full-time adult wage.	

Foreign Purchases of Existing Property



The Ban on Foreign Purchases of Existing Dwellings has been Extended

- + The Government will extend its temporary ban on foreign purchases of established residential property until 30 June 2029.
- + The ban was originally introduced from 1 April 2025 in an effort to boost housing supply.
- + The current limited exceptions to the ban will continue to apply (e.g. investments that significantly increase housing supply).
- + General exemptions from screening will also continue to apply for purchases of established dwelling, including for permanent residents and New Zealand citizens.

Business Finances

→ Key measures affecting Australian businesses



Minimum tax on discretionary trusts



Tax Measure

- + From 1 July 2028, trustees of discretionary trusts will be liable to a 30% tax on the taxable income of such trusts.
- + The Government's aim is to bring fairness by mitigating income splitting and bring parity with individuals earning salary and wages between \$45,001-\$135,000.

Implications for Beneficiaries

- + All beneficiaries other than corporate beneficiaries will receive non-refundable credits for the tax paid by the trustee.
- + Beneficiaries are responsible for including trust income in their assessable income. A top up tax may be payable by individual beneficiaries.
- + 'Bucket companies' / corporate beneficiaries will be liable to tax at 25% or 30% on trust distributions, with no benefit of any tax credits.

Exclusions

- + Income: primary production income, certain income relating to vulnerable minors, amounts to which non-resident withholding tax applies, income from assets of testamentary trusts existing at 12 May 2026.
- + Entities: fixed trusts, widely held trusts (including fixed testamentary trusts), complying superannuation funds, special disability trusts, deceased estates and charitable trusts.

Restructuring Opportunities

- + Rollover relief will be available until 30 June 2030, for discretionary trusts to be rolled over into another entity such as a company or fixed trust.
- + Companies taxed at 25% (Base rate entities) might become more attractive options than a trust to run businesses.
- + Payment of market rate salary and wages to beneficiaries working in the business of the trust might become more prevalent.

Loss Refundability Reforms for Businesses and Start-Ups



- + The Government is providing tax relief to businesses and start-ups by reforming how tax losses are treated.
- + This aims to encourage investment and sensible risk-taking and improve resilience of firms through temporary shocks.

Loss Carry Back for Businesses

- + From 1 July 2026, companies with less than \$1 billion annual turnover can carry back eligible revenue losses to offset tax paid in up to the previous two income years.
- + The carry-back is limited by the amount of revenue losses, the tax previously paid, and the company's franking account balance.

Start-Up Loss Refundability

- + From 1 July 2028, start-up companies with less than \$10 million annual turnover can convert losses from their first two years of operation into refundable tax offsets.
- + The refundable amount is limited to tax already paid on employees (i.e. fringe benefits tax and PAYG withholding on wages for Australian employees).

Expanding Venture Capital Tax Incentives



- + The Government will expand venture capital tax incentives from 1 July 2027 to better support early-stage and growth businesses by significantly lifting key eligibility thresholds across the VCLP and ESVCLP regimes.
- + This includes increasing asset size caps for VCLPs (to \$480 million) and ESVCLPs (to \$80 million), raising the asset threshold for fully tax-exempt returns under ESVCLPs (to \$420 million), and increasing the maximum ESVCLP fund size (to \$270 million).
- + The above mentioned increases will apply to both new and existing funds and to all new investments, including follow-on investments in companies already held.
- + ESVCLPs are to continue following their existing investment plans or seek approval for a replacement plan where needed.
- + The eligible venture capital investor program will be closed to new applications from 7.30pm (AEST) on 12 May 2026, while continuing to support existing participants.
- + The Department of Industry, Science and Resources (DISR) will receive \$3.6 million in 2026–27 to support program growth and administration, with funding from 2027–28 held in the Contingency Reserve pending final implementation decisions.
- + A joint Treasury–DISR review in 2032–33 will take place to assess whether the programs are still well targeted and appropriate.
- + The measure is estimated to decrease receipts by \$10.0 million and increase payments by \$14.7 million over five years from 2025–26.

Better targeting Research & Development



- + The Government is reforming the Research and Development Tax Incentive (R&DTI) to simplify and better target Government support for business R&D.
- + From 1 July 2028, The Government will increase the offset for core R&D expenditure by around 25 to 50 per cent, through a 4.5 percentage point increase in core R&D offset rates.
- + More firms will qualify for higher offset rates through a reduction in the R&D intensity threshold from 2 per cent to 1.5 per cent.
- + Enable growing firms to retain access to the refundable tax offset for longer by increasing the turnover threshold for the highest offset rate from \$20 million to \$50 million.
- + For firms below the \$50 million turnover threshold, maintain older firms' eligibility for the higher offset rate while limiting refundability to firms under 10 years of age.
- + Increase the maximum R&DTI expenditure cap from \$150 million to \$200 million.
- + Improve assurance for smaller claims by raising the minimum expenditure threshold from \$20,000 to \$50,000, with research activities valued below this amount required to be undertaken with a registered Research Service Provider or Cooperative Research Centre.

Making Tax Simpler for Businesses



Permanent \$20,000 Instant Asset Write-Off

- + From 1 July 2026, small businesses with a turnover under \$10 million will be able to immediately deduct the full cost of assets under \$20,000 in the year of purchase.
- + The measure moves from a temporary, annually renewed concession to a permanent rule, giving businesses greater certainty when planning capital expenditure and investment timing.
- + Assets purchased for \$20,000 or more will continue into the simplified depreciation pool as normal.
- + The 5-year lock-out rule for simplified depreciation remains suspended until 30 June 2027, allowing businesses to opt in and out of the regime more freely without being restricted from re-entering for five years, increasing flexibility in tax planning.

Dynamic PAYG Instalments

- + From 1 July 2027, the ATO will expand dynamic PAYG instalment calculations and allow more flexible payment options.
- + Businesses will be able to opt into monthly PAYG instalments, allowing better alignment with actual earnings and reducing the risk of overpaying or underpaying tax throughout the year.
- + Businesses with a history of non-compliance may be required to move to monthly PAYG reporting to increase ATO oversight.

FBT exemption for electric cars



- + From 1 April 2029 "zero or low emission vehicles" will cease being exempt from FBT but will be subject to a 25% discount by applying a 15% rate in the FBT statutory formula.
- + Zero or low emission vehicles include:
 - Battery electric vehicles;
 - Hydrogen fuel cell vehicles; and
 - Plug-in hybrid electric vehicles
- + The rules for electric vehicles will be subject to the following transitional rules:
 - Vehicles currently exempt from FBT continue being exempt until 1 April 2029.
 - All electric cars valued up to and including \$75,000 that are provided before 1 April 2029 will continue being exempt until 1 April 2029.
 - Electric cars valued above \$75,000 and up to and including the fuel-efficient luxury car tax threshold (currently \$91,387) provided between 1 April 2027 and 1 April 2029 will be eligible for the 15% FBT statutory formula rate.

Examples of how the new CGT rules work



- Example 1 – Basic indexation
- Example 2 – Purchase and sale of new housing
- Example 3 – Indexation and 50% CGT discount
- Example 4 – Negative gearing
- Example 5 – Minimum capital gains tax



Overview – how did the old CGT rules work



The 2026 Federal Budget has proposed changing the method of how capital gains will be taxed. Prior to 1 July 2027, the CGT gain is calculated as follows:

1. Taxpayers would calculate the Gross Gain by subtracting the asset's cost base (purchase price plus buying/selling costs) from the sale price.
2. Subtract any current-year capital losses and carried-forward capital losses from previous years from the gross capital gains.
3. Reduce the remaining gain by applying any CGT concessions, such as the small business 50% Active Asset discount
4. Apply the 50% CGT Discount* by halving the remaining amount.
5. The final discounted CGT gain is added to the taxpayer's other assessable income and taxed at the marginal income tax rate.

*The **50% Capital Gains Tax (CGT) discount** is a tax concession that allows eligible Australian residents to halve the taxable portion of a capital gain. Instead of being taxed on the full gain made from selling an asset, you only include 50% of it in your assessable income for the year. It is only available to certain eligible taxpayers. To use the 50% CGT discount method, taxpayers must typically meet three main conditions:

- + **Eligible Entity:** A taxpayer must be an individual or a trust. Companies are not eligible for the CGT discount. Complying super funds receive a lower discount of 33.33%.
- + **Ownership Period:** A taxpayer must have owned the asset for at least 12 months before the "CGT event" (usually the date the contract to sell was signed).
- + **Residency:** Generally, the full 50% discount is only available to Australian residents for tax purposes. Foreign or temporary residents may be ineligible or only entitled to a partial discount for assets held after 8 May 2012.

Overview – how do the new CGT rules work



From 1 July 2027, the CGT gain will be calculated as follows:

1. If an asset was acquired pre-July 2027, use the 1 July 2027 market valuation and original cost base to calculate the 50% CGT Gross Gain by subtracting the original cost base from the 1 July 2027 market valuation and halving the resultant gain.
2. Calculate the Indexation Gross Gain by subtracting the asset's 1 July 2027 indexed** cost base from the proceeds.
3. Calculate the gross CGT gain by adding the result from steps 1 and 2.
4. Subtract any current-year capital losses and carried-forward capital losses from previous years from the gross capital gains.
5. Reduce the remaining gain by applying any CGT concessions, such as the small business 50% Active Asset discount.
6. The final CGT gain amount is added to the taxpayer's other assessable income and taxed at the marginal income tax rate.

- Taxpayers that are eligible entities that have bought qualifying new build homes after 12 May can choose the lower of the indexation CGT gain and the 50% CGT discount method to include in their assessable income.
- Taxpayers will also be able to use a statutory formula to calculate the asset's 1 July 2027 value. Details of the formula are yet to be provided.

**** Indexation** is a mechanism used to adjust the value of an asset, a debt, or a threshold in line with inflation. Its primary purpose is to ensure that values maintain their "real" worth over time, rather than just their nominal dollar value. Indexation is tied to the **Consumer Price Index (CPI)**, which is calculated quarterly by the Australian Bureau of Statistics (Abs)

Example 1 – Basic indexation



Gene buys an industrial unit on 22 July 2027 for \$1,000,000 and sells it on 25 July 2028 for \$1,700,000. She incurred capital expenditure of \$200,000 to enhance the value of the asset in February 2028.

1. The cost base of the acquisition component of the asset (as indexed) is:
 - + Indexation factor: $152.8/148.9 = 1.026$
 - + Indexed cost base: $\$1,000,000 \times 1.026 = \$1,026,192$
2. The cost base of the additional capital expenditure of the asset (as indexed) is:
 - + Indexation factor: $152.8/151.6 = 1.008$
 - + Indexed cost base: $200,000 \times 1.008 = \$201,600$
3. The total cost base, including the additional capital expenditure of the asset (as indexed) is:
 - + $\$1,026,192 + \$201,600 = \$1,227,792$
4. The capital gain is:
 - + Proceeds less indexed cost base
 - + $\$1,700,000 - \$1,227,792 = \$472,208$

Year	INDEXATION FACTORS			
	31 March	30 June	30 September	31 December
2028	151.6	151.7	152.8	153.2
2027	145.8	147.1	148.9	150.2
2026	140.7	141.7	143.6	144.2
2025	137.4	138.8	139.1	139.4

Example 2 – Purchase and sale of new housing



Gene buys a newly built house unit on 22 July 2027 for \$1,000,000 and sells it on 25 July 2028 for \$1,700,000. She incurred capital expenditure of \$200,000 to enhance the value of the asset in February 2028.

1. The capital gain calculated using the indexation method is:

- + Proceeds less indexed cost base
- + \$1,700,000 - \$1,227,792 = \$472,208

2. The 50% CGT capital gain calculation is:

- + (Proceeds less cost base) x 50% CGT discount:
- + (\$1,700,000 – \$1,200,000) x 50% = \$250,000

3. Gene chooses to use the 50% CGT method to calculate her gain and includes \$250,000 as the CGT gain in her assessable income.

Year	INDEXATION FACTORS			
	31 March	30 June	30 September	31 December
2028	151.6	151.7	152.8	153.2
2027	145.8	147.1	148.9	150.2
2026	140.7	141.7	143.6	144.2
2025	137.4	138.8	139.1	139.4

Example 3 – Indexation and 50% CGT discount



Gene buys an industrial unit on 22 July 2024 for \$1,000,000 and sells it on 25 July 2028 for \$2,500,000. She incurred capital expenditure of \$200,000 to enhance the value of the asset in February 2028. The property's market value as at 1 July 2027 is \$1,700,000.

1. The 50% CGT capital gain calculation is:

- (1 July 2027 value less original cost base) x 50% CGT discount:
- $(\$1,700,000 - \$1,000,000) \times 50\% = \$350,000$

2. The indexed cost base of the asset and additional capital expenditure of the asset (as indexed) is:

- Indexed cost base of the asset: $\$1,700,000 \times 1.0262 = \$1,744,527$
- Indexed cost base of other costs: $\$200,000 \times 1.008 = \$201,600$

3. The indexed capital gain of the asset:

- Proceeds less indexed cost base
- $\$2,500,000 - (\$1,744,527 + \$201,600) = \$553,873$

4. The capital gain is the sum of the two CGT calculations:

- 50% CGT Gain + Indexation Gain
- $\$350,000 + \$553,873 = \$903,873$

Year	INDEXATION FACTORS			
	31 March	30 June	30 September	31 December
2028	151.6	151.7	152.8	153.2
2027	145.8	147.1	148.9	150.2
2026	140.7	141.7	143.6	144.2
2025	137.4	138.8	139.1	139.4

Example 4 – Negative gearing

Example 5 – Minimum capital gains tax



Example 4: Negative gearing on existing residential property

Yoonseo earns an income of \$100,000 and buys an existing residential investment property for \$519,000 (including stamp duty) after the policy start date. Yoonseo rents it out and sells it ten years later for \$814,447. Over the first five years that she owns the property she has net rental losses and accumulates \$22,879 of carry forward losses.

In the following five years, Yoonseo applies most of these carried forward losses to reduce her positive net rent over this period from \$18,079 to zero. In the year she sells the property she uses the remaining carried forward losses to reduce her real estate capital gain from \$150,083 to \$145,284.

Had Yoonseo bought a new build property, she would not pay additional tax as negative gearing and the existing capital gains tax discount would still be available for this property.

Example 5 - Minimum tax on capital gains

Jack has a taxable income before capital gains of \$25,000 in 2029–30 and realises a capital gain of \$10,000 on an asset that he purchased in 2027–28. Jack does not receive an income support payment so is not exempt from the minimum tax.

The tax on Jack's capital gain of \$10,000 is \$1,400, or a tax rate of 14 per cent (excluding the Medicare levy). As this is lower than 30 per cent, Jack pays an additional \$1,600 in tax to bring the tax rate on his capital gain up to 30 per cent. Jack may have tax offsets available to reduce the minimum tax and would be exempt from the minimum tax if he received an income support payment in that year.

About Kelly+Partners

Kelly+Partners Accountants was founded in 2006 in North Sydney, New South Wales, Australia, by Brett Kelly, his wife, Rebecca Kelly, Scott Elwin, Ada Poon, and Craig Bullock. They shared a vision to work with private business owners who wanted to "Go Somewhere" and help them Be Better Off by providing specialist accounting, taxation, and audit services with a coordinated, personal, excellent, and discreet approach.

The team navigated many trends and market cycles, including the global financial crisis and COVID-19, to grow the business. Kelly+Partners has expanded from a single office to over 40 locations across Australia, the United States, United Kingdom, Hong Kong, Philippines and India, employing more than 700 team members. We support over 25,000 small to medium-sized business owners, high-net-worth individuals, and families, helping them build and grow successful businesses and protect their legacies across generations.

Today, Kelly+Partners is the 17th largest accounting firm in Australia and the 38th largest in California. The firm is listed on the Australian Stock Exchange under the symbol "KPG" and on the OTCQX® Best Market under the symbol "KPGHF".



ANY QUESTIONS?

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